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FISCAL IMPACT STATEMENT

LS 6489 | **NOTE PREPARED:** Dec 21, 2009
BILL NUMBER: SB 182 | **BILL AMENDED:**

SUBJECT: Assessed Value of Farmland.

FIRST AUTHOR: Sen. Hume | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill provides that the base rate used for property tax assessment of agricultural land is the lesser of the base rate determined under current methodology or the preceding year's base rate adjusted by the percent increase or decrease in the annual average Consumer Price Index (CPI).

Effective Date: January 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, the assessed value of real property is adjusted each year to reflect market changes. Each year, the base rate for agricultural land is set by the DLGF, based on a six-year rolling average of the capitalization of net cash rents and net operating income for farmland. Beginning with taxes payable in 2011 under this bill, the change in the farmland base AV would be limited to the change in CPI.

The change in the farmland base rate for an assessment date would be limited to the change in CPI experienced in the prior calendar year. That is, for taxes payable in 2011, the 2010 farmland assessment would be limited to the change in CPI from 2008 to 2009. The annual change in CPI is currently estimated at -1.36% for 2009 (2011 tax bills), +1.55% in 2010 (2012 tax bills), and +2.12% in 2011 (2013 tax bills).

The base value per acre of farmland is $1,250 for taxes payable in 2010, and is currently estimated at $1,400 for 2011, $1,690 for 2012, and $1,650 for 2013. Under this proposal, the base rate would be $1,230 for 2011, $1,250 for 2012, and $1,280 for 2013.

The reduction in the farmland base rate in this proposal would result in a higher tax rate and a shift of part of the property tax burden from farmland owners to other taxpayers, along with an increase in circuit breaker credits. The statewide average tax rate per $100 AV would increase by an estimated $0.0181 in 2011, $0.0456 in 2012, and $0.0367 in 2013. The higher tax rates would also cause TIF proceeds to increase. Circuit breaker credits would increase by an estimated $5.4 M in 2011, $12.9 M in 2012 and $10.1 M in 2013. The table below contains estimates of these changes.

Estimated Net Property Tax and Circuit Breaker Changes						
Net Tax by Property Type	**2011**		**2012**		**2013**	
Homesteads	+ 8.6 M	+ 0.5%	+ 21.9 M	+ 1.2%	+ 18.7 M	+ 1.0%
Farmland	- 27.8 M	- 10.1%	- 68.4 M	- 21.4%	- 56.6 M	- 18.3%
Other Residential	+ 2.1 M	+ 0.3%	+ 5.5 M	+ 0.7%	+ 4.7 M	+ 0.6%
Commercial Apartments	+ 0.2 M	+ 0.1%	+ 0.4 M	+ 0.2%	+ 0.3 M	+ 0.1%
Ag_Business (Except Farmland)	+ 2.1 M	+ 2.0%	+ 5.2 M	+ 5.1 %	+ 4.3 M	+ 4.2%
Other Real Property	+ 4.7 M	+ 0.3%	+ 12.1 M	+ 0.7%	+ 9.9 M	+ 0.6%
Personal Property	+ 4.7 M	+ 0.5%	+ 11.8 M	+ 1.4%	+ 9.8 M	+ 1.1%
TIF Proceeds	+ 0.9 M	+ 0.2%	+ 2.3 M	+ 0.5%	+ 1.9 M	+ 0.4%
Circuit Breaker Credits	+ 5.4 M	+ 1.2%	+ 12.9 M	+ 3.0%	+ 10.1 M	+ 2.5%

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County assessors; Local taxing units impacted by circuit breaker credits.

Information Sources: *Consumer Price Index, All Urban* historic series and forecast series, Global Insight; *Farmland Assessment For Property Taxes*, Larry DeBoer, Purdue University, http://www.agecon.purdue.edu/crd/localgov/Topics/Essays/Prop_Tax_FarmLand_Asmt.htm.

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